



## EAST/SOUTH PROGRAM FOCUS



Photo by Arvidas Shemetas (IRD)

A scene from *Understand! Assist! Support!*, a mini musical, performed on World AIDS Day, December 1, 2005, in Crimea.

### The South/East by Numbers

**Oblasts:** Dnipropetrovsk, Donetsk, Kharkiv, Kherson, Luhansk, Mykolayiv, Odesa, Zaporizhzhya, AR Crimea

**Population:** 22,051,000

**% of country population:** 47.41%

**% of national GDP –** 49.2%

**% of exports:** 62%

**GDP Growth, Jan-May 2007 –**

South/East: 5.4% (DerzhKomStat)

National: 7.9% (World Bank)

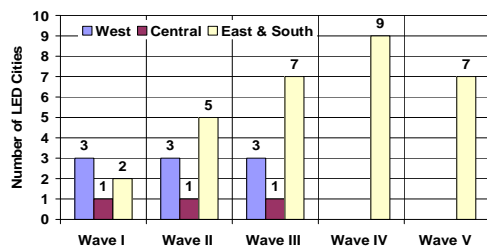
**South/East quarterly disposable**

**income per capita:** 1,862 UAH

(Ukraine-1,875 UAH)

### Geographical Concentration of Local Economic Development Cities (Spring 2005 – Autumn 2007)

LED Cities - Spring 2005 to Autumn 2007



### OVERVIEW

While helping to reassert Ukraine's commitment to democratic processes, and invigorating civil society and an independent mass media, the events of 2004-2005 also highlighted a growing divide between two demographically diverse regions of Ukraine: the industrial southern and eastern regions with a long history as part of Russia, and the more agricultural north central and western regions (along with the economically-developed capital city, Kyiv) that have had closer ties to Europe. The two regions are divided by language as well, with the southeast predominantly Russian-speaking and the northcentral/west (except for Kyiv) mostly Ukrainian-speaking

**Strategic context:** With the U.S. government helping to bridge the divide between East and West, in September 2005 USAID/Ukraine began to scale up developmental efforts in the southern and eastern regions of Ukraine. The development challenge is to help accelerate the region's acceptance and use of European standards and international best practices in governance, business development, and social reforms – which had generally lagged behind the West. Understanding that public outreach is important to changing perceptions, the U.S. Ambassador and USAID Mission leadership have made more than 20 separate visits to all nine oblasts centers as well as surrounding towns. In 2 years time, there have been 60 public events. USAID has redirected programming as well. By the end of 2005 development assistance in the South and East had been increased to 33 programs in 81 towns and cities, which was further expanded in 2006 to 36 programs in 134 towns and cities. Between the end of 2005 and the end of 2006, total programming dedicated to this part of Ukraine increased by 27.5%, from \$13.1 million to \$16.7 million. This amount represents 39% of funding outside of national programs.

**Future direction:** At a time of shrinking resources, USAID/Ukraine has begun leveraging assistance through public/private partnerships. Our efforts have thus far raised \$26.5 million to meet some of the more pressing development challenges in the South and East, including HIV/AIDS, tuberculosis, and transparency in government. Currently, we are working with the oil conglomerate TNK-BP in Luhansk Oblast on introducing European standards for birthing in child care. We also have begun a GDA in the city of Zaporizhzhya on municipal development. To support community development in the city of Alchevsk, where last winter the collapse of the municipal heating system left many residents without heat in sub-zero temperatures, USAID is partnering with the Donbas Industrial Union to spur community development. In addition, we are cooperating with the Donbas Fuel and Energy Company on local economic development in Donetsk, Dnipropetrovsk and Luhansk oblasts and we recently signed a GDA with the city on communal services restructuring. Finally, we are working with the private Stop Tuberculosis Development Fund, which together with Donetsk Oblast have committed \$20 million over five years to this effort.

**Challenge:** By the end of 2008 we aim to raise an additional \$20 million for activities that build ties to the West.

### Spotlight: Support for a Berdyansk Bond Issuance

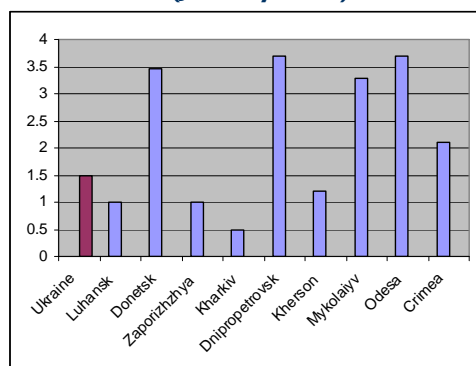
**Challenge:** Help Berdyansk, a city of 280,000 on the coast of the Azov Sea, which has limited budgetary resources, access credit to supplement the municipal budget and provide better government services to the community. The city has economic potential as a tourist resort, but needs to upgrade and develop basic infrastructure.

**Resolution:** Berdyansk came to USAID in 2005 requesting assistance with a bond issuance. USAID's Access to Credit Initiative (ACTI) agreed to do a bond capacity assessment and in May 2006 advised the city on the issuance of a UAH 10 million bond. It also helped the city hold a tender to select a rating agency, which in October 2006 extended Berdyansk a global rating of B1 and a national rating of Aa3.ua.

The Ministry of Finance initially withheld approval for the issue, but relented when certain problems were resolved, and other government ministries and the Association of Ukrainian Cities voiced their support.

A number of leading local investment banks took part in a successful underwriting tender in June 2007. After approval by the Securities Exchange Commission, a bond was issued for the amount of UAH 10 million in December 2007. The proceeds will be used to repair roof tops and street lighting.

HIV prevalence rates (%) by Oblast  
(January 2007)



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## PROGRAMS IN THE SOUTH AND EAST

### Local Investment and Improved Governance

The office of mayor is the only directly-elected official in Ukraine, save the president. Mayors and city officials are learning to become more responsive to the needs of their constituents, and they have come to rely on US assistance for help. We work with cities and progressive mayors who embrace democratic principles and who are encouraging economic growth by improving the local investment climate. The **Local Economic Development** project helps cities build consensus around reforms and on strategic planning to attract investment, promote business development, and create jobs. In the last two phases we have chosen 16 cities from the East/South. **Municipal Budget Reform (MBR)** introduces transparent, longer-term budgeting practices, and is helping target cities to implement Performance Program Budgeting as a way to ensure that limited resources are used effectively and are open to scrutiny. The **Communal Services Reform** activity helps municipalities improve local services (e.g. water, heat, etc) through improved management and market-oriented pricing. USAID support to the **Association of Ukrainian Cities** is helping to raise the level of professionalism of city officials, while providing a venue for advocating municipal interests with the central government.

### Finance

The purpose of the **Access to Credit Initiative (ATCI)** is to mobilize credit for small and medium businesses, prospective homeowners, farmers and municipalities. Two cities in the South/East – Berdyansk and Luhansk -- will soon release municipal bonds issuances with support from USAID. The **Ukraine Industrial Energy Efficiency Initiative** primarily targets companies in the industrial East/South through energy-savings retrofit programs.

### Health Issues: HIV/AIDS and Tuberculosis

The **Tuberculosis Country Support** project is implementing a WHO tuberculosis treatment strategy in five priority oblasts (Kherson, Zaporizhzhya, Dnipropetrovsk, Kharkov, and Crimea) with the highest burdens of TB and HIV infection, while strengthening diagnostic capacity, improving monitoring and surveillance, and increasing awareness and understanding of TB. The **SUNRISE** (Scaling Up the National Response to HIV/AIDS through Information and Services) project expects to substantially decrease HIV transmission through information and services to prevent injecting-drug and sexual transmission of HIV, while increasing access to quality care and support services; improving voluntary counseling and testing (VCT) services; and increasing the responsiveness of non-governmental organizations and communities. The focus is on the eight oblasts most affected by the HIV/AIDS epidemic, six of which are in the South and East. A program for **Preventing Mother-to-Child HIV Transmission (PMTCT)** is working in the same eight targeted oblasts to strengthen capacity to develop, deliver and sustain services to prevent PMTCT. Finally, a pilot project targeted for Donetsk Oblast and the Crimea is working to **Reduce Stigma and Discrimination Associated with HIV Infection and AIDS**.

### Civil Society and Media

This **Strengthening Civil Society Organizations** offers technical assistance, networking resources and a grants program to civil society organizations involved in community partnership, constituent outreach and youth leadership activities in all oblasts of Ukraine, including work on HIV/AIDS issues in eight high-risk regions to reduce stigma and discrimination associated with HIV/AIDS. The **Ukraine Reform Education Program** conducts nationwide public education activities to promote awareness and participation by Ukrainian citizens in economic, social and democratic reforms. Meanwhile the **Strengthening Media in Ukraine** program is working to increase the availability and quality of news; strengthen the financial viability of independent media; and to stabilize the legal environment. The **Community Connections Program** offers practical training and internships in the U.S. for entrepreneurs, government and NGO leaders, and various professionals.